

Message Text

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43

ACTION XMB-07

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 EB-11

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FM AMCONSUL RIO DE JANEIRO

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INFO AMEMBASSY BRASILIA

UNCLAS RIO DE JANEIRO 3536

E. O. 11652: N/A

TAGS: EFIN, BR

SUBJ: COMPANHIA METROPOLITANA DE CONSTRUcoes S.A.

REF: RIO 3479; STATE 198114

1. METROPOLITANA'S FINANCIAL DIRECTOR, JORGE CARLOS SUSSKIND, MET WITH CONGEN OFFICERS ON SEPTEMBER 17, 1974, TO LUTLINE METROPOLITANA'S ATTEMPTS TO OBTAIN EMERGENCY CREDITS. SUSSEKIND MADE FOLLOWING MAJOR POINTS.

2. A) FOR EACH OF ITS LOAN CONTRACTS (WHETHER FOREIGN OR DOMESTIC) GUARANTEED BY A BRAZILIAN BANK. METROPOLITANA HAS AGREED THAT GUARANTOR BANK MAY RETAIN A PERCENTAGE OF METROPOLITANA'S INVOICING. AMOUNTS THUS RETAINED ARE HELD IN ESCROW. SINCE MOST FOREIGN LOANS ARE AMORTIZED OVER TEN YEAR PERIOD, GUARANTOR BANKS HOLD THESE DEPOSITS FOR CONSIDERABLE LENGTH OF TIME, RATHER THAN RE-LEND THEM TO METROPOLITANA. TOTAL NOW HELD IN ESCROW IS EQUIVALENT TO ABOUT SIXTY PERCENT OF TOTAL METROPOLITANA INDEBTEDNESS.

B) ALLEVIATING MEASURE: MINISTER OF FINANCE HAS REPORTEDLY REQUESTED THAT BANKING ASSOCIATION'S PRESIDENT THEOPHILO DE AZEREDO SANTOS COORDINATE THE RELEASE OF A PORTION OF UNCLASSIFIED

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THESE ESCROW DEPOSITS FOR METROPOLITANA'S IMMEDIATE USE.

SUSSEKIND ESTIMATED THAT BANKS WOULD MAKE FINAL DECISION AND BEGIN RELEASING DEPOSITS IN 20 TO 30 DAYS.

3. A) METROPOLITANA HAS SUBSTANTIAL ACCOUNTS RECEIVABLE FROM BRAZILIAN GOVERNMENT AGENCIES FOR WORK EXECUTED.

B) ALLEVIATING MEASURES: MINISTRY OF FINANCE HAS ALLEGEDLY DIRECTED THE BANK OF BRAZIL TO EXTEND LOANS (TOTAL NOT TO EXCEED 50 MILLION CRUZEIROS) TO GOB AGENCIES WHICH LACK FUNDS TO PAY THEIR DEBTS WITH METROPOLITANA.

4. MR. SUSSEKIND STATED THAT, IN THE EVENT THAT MEASURES MENTIONED ABOVE ARE NOT IMPLEMENTED, METROPOLITANA WILL TAKE OTHER STEPS TO MEET ITS OBLIGATIONS WITH FOREIGN AND DOMESTIC CREDITORS. WHILE A NUMBER OF METROPOLITANA'S OVERDUE NOTES HAVE BEEN PROTESTED, NO EXECUTIONARY ACTION HAS YET BEEN STARTED AGAINST THE COMPANY. PROTESTS ARE BEING MADE TO PROTECT CREDITORS' POSITIONS.

5. BANKING ASSOCIATION HAS PREPARED A STUDY OF METROPOLITANA'S INDEBTEDNESS AND PROJECTED CASH FLOW. STUDY SUPPOSEDLY INDICATES THAT METROPOLITANA COULD REESTABLISH A SOUND FINANCIAL POSITION WITHIN ONE YEAR IF MEASURES DISCUSSED ABOVE ARE IMPLEMENTED. SUSSEKIND HAS PROMISED TO PROVIDE COPIES OF THE STUDY AND METROPOLITANA'S LATEST BALANCE SHEET (AUDITED BY PRICE WATERSHOUSE). THEY WILL BE FORWARDED TO EXIMBANK ASAP.

6. WE PLAN TO DISCUSS THIS SUBJECT WITH BANKING ASSOCIATION AGAIN IN EFFORT TO ASCERTAIN LATTER'S ATTITUDE TOWARD METROPOLITANA.
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